

POWER CORPORATION OF CANADA

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SENT BY E-MAIL AND ORDINARY MAIL

Mr. John Stevenson
Secretary
Ontario Securities Commission
20 Queen Street West
Suite 1903
Toronto, ON M5H 8S8

Dear Mr. Stevenson:

Re: Proposed OSC Rule 13-502

I am writing in response to the request for comments pursuant to a notice (the "Notice") issued on June 28, 2002 by the Ontario Securities Commission ("OSC") in respect of proposed Rule 13-502 regarding fees (the "Proposed Rule") published in (2002) 25 OSCB. As requested, this submission has been prepared in duplicate.

I am concerned that the rule continues to result in the payment of duplicate participation fees by public companies that have public subsidiaries. It is not an uncommon structure for a public company to have one or more public subsidiaries. For example, Power Corporation of Canada ("Power Corporation") holds a 67.5% interest in Power Financial Corporation ("Power Financial") which in turn holds a 77.8% interest and a 56.2% interest, respectively, in Great-West Lifeco Inc. ("Great-West") and Investors Group Inc. ("Investors"). In addition, Great-West directly and indirectly holds an additional 7.9% interest in Investors. All four companies are reporting issuers in Ontario and under the Proposed Rule each will be required to pay a fee based on its capitalization. The exemption provided in Section 2.2(2) of the Proposed Rule is not available to any of Power Financial, Great-West or Investors since the net assets and gross revenues of each of those companies does not represent more than 90% of the net assets and gross revenues of the reporting issuer which controls it.

The capitalization of Power Corporation reflects the capitalization of its direct and indirect interests in Power Financial, Great-West and Investors. If a fee is assessed based on the capitalization of each company without regard for the ownership structure, shareholders of Power Corporation will ultimately bear a disproportionate share of the participation fees assessed by the Commission compared to shareholders of reporting issuers which have a different corporate structure.

The Companion Policy to the Proposed Rules states that “participation fees generally are designed to represent the benefit derived by market participants from participating in Ontario’s capital markets” and that “the participation fee is based on a measure of the market participant’s size, which is intended to serve as a proxy for the market participant’s use of the Ontario capital markets”.

A reporting issuer which is controlled by another reporting issuer is obviously not accessing the public markets for the portion of its capital held by its controlling shareholder and other affiliates. Yet an important constituent of the size of the controlling company is the size of the controlled company.

The exemption from the obligation to pay any participation fee is available in an extremely narrow set of circumstances. Instead, it would be more consistent with the stated policy behind the Proposed Rule and consistent with the approach taken in the definition of “public float” in National Instrument 71-101 to exclude from the calculation of the capitalization of an issuer securities held by persons or companies that are affiliated parties of the issuer of the securities.

I appreciate the opportunity to comment on the proposal. Should you have any questions or wish to discuss this matter further, please feel free to contact me at (514) 286-7415.

Yours sincerely,

Edward Johnson